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TAGS: PARM PREL ETTC RS BU
SUBJECT: BULGARIA HOLDS THE LINE ON ARMS LICENSES

REF: A. STATE 25152
 1B. SOFIA 177
 1C. KARAGIANNIS-KOSTELANCIK EMAIL (3/16/07)

Classified By: CDA Alex Karagiannis, for reasons 1.4 (b) and (d).

11. (C/NF) On March 16 DCM discussed the state of BG-RU negotiations on the arms licensing issue with Valentin Radomirski, chief foreign policy advisor to PM Stanishev. Reftel A points were delivered to MFA, MOD, and Ministry of Economy and Energy on March 1 and had been previously conveyed to Radomirski by GoB officials (no non paper was left).

12. (S/NF) Radomirski thanked us for our comments, saying that they helped solidify Bulgaria's negotiating position. He hinted that some GoB figures had favored further concessions to Russia, referring to the "danger" in such negotiations that "some would try to be more friendly (to Russia) in order to prove their worth." In Radomirski's words, our clear and timely expression of U.S. policy gave government leaders the ammunition they needed to reign in wayward voices in the administration and refocus on a team approach.

13. (S/NF) The Bulgarian government's fundamental position has not changed since reported in reftel B -- the GoB is proposing direct governmental talks on licenses to be used by the Bulgarian armed forces, while commercial licenses are to be negotiated directly between Bulgarian producers and Russian firms. Radomirski reiterated that Bulgaria "cannot allow" a so-called permissive regime, under which Russia would maintain a veto over certain Bulgarian exports, or Bulgaria would agree to a "black list" of banned countries. The next step in the arms license negotiations is a planned April 23-24 session of the Bulgarian-Russian Military-Technical Cooperation working group. Assuming this meeting goes well, Radomirski said, PM Stanishev may visit Moscow on May 7-8.

14. (S/NF) Political pressure from Russia remains high, according to Radomirski. He claimed that President Putin raised the issue in his March 15 meeting with Bulgarian PM Stanishev while in Greece for the Burgas-Alexandroupolis pipeline signing ceremony. Radomirski described Putin as exceptionally harsh on Georgia, claiming that Tbilisi was "preparing for war" and obliquely threatening to recognize Abkhazia. Even as the Russians pressure them to cut off sales to Georgia, commercial ties are pulling Bulgaria in the opposite direction: Radomirski informed us that leading Bulgarian defense manufacturer Arsenal has recently received

an order from the Georgian Ministry of Defense valued at \$150m (NOTE: By comparison, Bulgaria's total defense exports for 2006 totaled approx. \$100m).

¶15. (S/NF) Frankly discussing the government's attempt to balance these competing interests, Radomirski said he had asked Arsenal Managing Director Ibushev to stall the Georgians ("tell them we have all new procedures because of the EU...") in order to avoid sabotaging ongoing negotiations with Russia. However, according to Radomirski, Georgia has still not paid for a large order it placed last year with Bulgarian firm Arcus for its Ministry of Interior, which Bulgaria approved despite intense Russian pressure.

Comment:

¶16. (S/NF) As a technocratic, centrist-leaning Socialist, PM Stanishev is subject to criticism from hard-liners within his own party for "sacrificing traditional ties with Russia" as Bulgaria lines up with NATO and the EU. The Russians understand that a Moscow trip would be a political plum for Stanishev and have accordingly made a visit contingent on a successful resolution of the arms licensing issue. However tempting a visit might be, the PM's office has shown impressive leadership on this issue, corralling diverse corporate and political factions behind a moderate approach based on a clear-eyed view of Russia and an understanding of Bulgaria's national interest that is grounded in trans-Atlantic values.

BEYRLE